



2<sup>nd</sup>  
Quarter Report  
2016

# To Unit holders:

**Sabine Royalty Trust** (the "Trust") makes monthly distributions to the holders of units of beneficial interest in the Trust ("Units") of the excess of the preceding month's revenues received over expenses incurred. Upon receipt, royalty income is invested in short-term investments until its subsequent distribution. In accordance with the Trust Agreement, the Trust's only long-term assets consist of royalty interests in producing and proved undeveloped oil and gas properties. Although the Trust is permitted to borrow funds if necessary to continue its operations, borrowings are not anticipated in the foreseeable future.

Distributable income consists of royalty income plus interest income plus any decrease in cash reserves established by the Trustee less general and administrative expenses of the Trust less any increase in cash reserves established by the Trustee.

Distributable income for the three months ended June 30, 2016 was \$5,854,152 or \$0.40 per Unit. Royalty income for the three months ended June 30, 2016 amounted to \$6,504,020 while interest income was \$1,161. General and administrative expenses totaled \$651,029 for the three months ended June 30, 2016.

Distributions during the period were \$.13858, \$.16435 and \$.10262 per Unit payable to Unit holders of record on April 15, May 16, and June 15, 2016, respectively.

Royalty income for the quarter ended June 30, 2016 decreased approximately \$3,790,000 or 37% compared with the second quarter of 2015. This decrease was primarily caused by lower prices for both natural gas and oil (\$3.4 million) along with decreases in production of both oil and natural gas (\$0.6 million). These decreases in revenue were offset somewhat by a decrease in taxes and operating expenses (\$0.2 million) corresponding with the decrease in revenues.

Compared to the preceding quarter ended March 31, 2016, royalty income decreased approximately \$465,000 or 7%, due mainly to a decrease in the production of oil (\$0.7 million) along with lower oil prices (\$0.4 million) and an increase in taxes and operating expenses (\$0.2 million). These decreases were offset somewhat by an increase in the production of natural gas (\$0.5 million) and higher natural gas prices (\$0.3 million).

Royalty income for the six months ended June 30, 2016 decreased \$11,932,000 or 47% compared with the same time period in 2015. This decrease was due mainly to lower natural gas and oil prices (\$11.5 million) and a decrease in the production of both natural

gas and oil (\$1.4 million). These decreases in revenue were tempered somewhat by lower taxes and operating expenses (\$1.0 million).

The following tables illustrate average prices received for the periods discussed above and the related oil and gas production volume:

	Quarter Ended		
	June 30, 2016	June 30, 2015	March 31, 2016
Production			
Oil (Bbls)	104,006	119,011	124,136
Gas (Mcfs)	1,704,049	1,740,871	1,483,656
Average Price			
Oil (per Bbl)	\$ 33.35	\$ 48.85	\$ 36.21
Gas (per Mcf)	\$ 2.35	\$ 3.26	\$ 2.18
	Six Months Ended		
	June 30, 2016	June 30, 2015	
Production			
Oil (Bbls)	228,142	254,603	
Gas (Mcf)	3,187,705	3,398,941	
Average Price			
Oil (per Bbl)	\$ 34.91	\$ 59.12	
Gas (per Mcf)	\$ 2.27	\$ 3.84	

Gas revenues received for the three months ended June 30, 2016, related primarily to production for January through March 2016. The average price of gas reported by the Henry Hub for the same time period was \$1.79 per Mcf. The average price of gas for the Henry Hub was \$1.86 per Mcf for January through June 2016. Oil revenues for the three months ended June 30, 2016 related primarily to production for February through April 2016. The average price of oil as reported by NYMEX for that time period was \$36.32 per barrel. The average price of oil was \$39.55 per barrel for January through June 2016. As of July 11, 2016, the average price of gas for the Henry Hub was \$2.59 per Mcf and the average price of oil reported by NYMEX was \$44.73 per barrel. It is difficult to estimate future prices of oil and gas, and any assumptions concerning future prices may prove to be incorrect.

Interest income for the quarter ended June 30, 2016 increased approximately \$1,000 compared with the second quarter of 2015. Compared to the preceding quarter ended March 31, 2016, interest income increased approximately \$300. Income for the six months ended June 30, 2016 increased approximately \$1,600 compared to the same time period in 2015. Changes in interest income are the result of changes in interest rates and funds available for investment.

General and administrative expenses for the quarter ended June 30, 2016 decreased by approximately \$159,300 compared to the same quarter of 2015

primarily due to the timing of payment of engineering services of approximately \$128,700; the timing of payment of auditing fees of \$55,000; and the timing of payment of printing and unit holder expenses of approximately \$7,400. These decreases were offset somewhat by an increase in escrow agent/trustee fees of approximately \$25,700 and an increase in legal and other professional fees of approximately \$4,500.

Compared to the previous quarter ended March 31, 2016, general and administrative expenses decreased approximately \$150,100 due mainly to the timing of payment of engineering services of approximately \$148,200; the timing of payment of the New York Stock Exchange listing fee of \$52,500; and the timing of payment of auditing services of \$28,000. These decreases were offset somewhat by an increase due to the timing of payment of printing and unit holder services of approximately \$63,600 as well as the timing of payment of legal and other professional fees of approximately \$16,200.

Administrative expenses increased approximately \$95,100 for the six months ended June 30, 2016 compared to the same time period in 2015 due primarily to increases in escrow agent/trustee fees of approximately \$63,100; legal and other professional fees of approximately \$24,600; engineering services of approximately \$19,500; an increase in the New York Stock Exchange listing fee of \$7,500 and an increase in auditing fees of \$4,000. These increases were tempered somewhat by a decrease in printing and unit holder fees of approximately \$23,800.

**Sabine Royalty Trust**  
**By Southwest Bank, Trustee**



**By Ron E. Hooper**  
**SVP, Royalty Trust Management**

August 19, 2016

## Information About the Trust

**Sabine Royalty Trust** (the "Trust"), formed effective December 31, 1982, is an express trust existing under the Sabine Corporation Royalty Trust Agreement. All units of beneficial interest (the "Units") in the Trust were distributed to Sabine Corporation's shareholders of record on December 23, 1982 on the basis of one Unit for each outstanding share of Sabine Corporation's common stock. Pacific Enterprise Oil Company (USA), as successor to Sabine Corporation, has assumed by operation of law all of Sabine Corporation's rights and obligations with respect to the Trust. The Units are traded on the New York Stock Exchange under the symbol "SBR". The Trust has a December 31 fiscal year end.

The Trust's assets consist of royalty and mineral interests, including landowner's royalties and overriding royalty interests, in producing and proved undeveloped oil and gas properties in Florida, Louisiana, Mississippi, New Mexico, Oklahoma and Texas (the "Royalties"). Revenues of the Trust are directly dependent upon the price of oil and gas as well as the quantities produced. The Trust does not participate in any exploration or development projects and does not have any working interest revenues or expenses.

The Trust makes monthly distributions of net income to Unit holders of record on the monthly record date (generally the 15th of each calendar month). Distributions

are mailed to Unit holders on or about the 29th of each month. Distributions by the Trust in 2016 have been as follows (stated in dollars per Unit):

Month of Payment	Amount	Month of Payment	Amount
January	\$ .27597	May	\$ .16435
February	\$ .13361	June	\$ .10262
March	\$ .13771	July	\$ .13457
April	\$ .13858	August	\$ .13527

The Trust's monthly distributions include cash received by the Trustee, acting as Escrow Agent on the record date for such distribution, which represents cash attributable to the Royalties, and interest thereon, collected by the Trustee, acting as Escrow Agent, during the preceding calendar month.

Schedules of information on a per Unit basis for preparation of federal and state income tax returns will be provided in booklet form for calendar year 2016 in March 2017. Monthly schedules of income tax information for January through June 2016 are available now for those Unit holders who file fiscal year tax returns and need this information. Please request to be placed on a special mailing list if you need this interim tax information by writing to Tax Mailing List, Sabine Royalty Trust, P.O. Box 962020, Fort Worth, Texas 76162-2020, 1 (855) 588-7839. Our website is [www.sbr-sabine.com](http://www.sbr-sabine.com).

## Condensed Statements of Assets, Liabilities and Trust Corpus

	June 30, 2016 <i>(Unaudited)</i>	December 31, 2015
<b>Assets</b>		
Cash and short-term investments.....	<b>\$ 4,571,741</b>	\$ 5,804,070
Royalty interests in oil and gas properties (less accumulated amortization of \$22,105,695 and \$22,085,808 at June 30, 2016 and December 31, 2015) .....	<b>289,490</b>	309,377
TOTAL .....	<b><u>\$ 4,861,231</u></b>	<u>\$ 6,113,447</u>
<b>Liabilities and Trust Corpus</b>		
Trust expenses payable.....	<b>\$ 190,101</b>	\$ 180,498
Other payables .....	<b>1,379,702</b>	752,664
	<b>1,569,803</b>	933,162
Trust corpus – 14,579,345 units of beneficial interest authorized and outstanding.....	<b>3,291,428</b>	5,180,285
TOTAL .....	<b><u>\$ 4,861,231</u></b>	<u>\$ 6,113,447</u>

## Condensed Statements of Changes in Trust Corpus *(Unaudited)*

	Six Months Ended June 30,	
	2016	2015
Trust corpus, beginning of period.....	<b>\$ 5,180,285</b>	\$ 4,535,292
Amortization of royalty interests .....	<b>(19,887)</b>	(23,534)
Distributable income.....	<b>12,022,814</b>	24,048,319
Distributions .....	<b>(13,891,784)</b>	(25,201,711)
Trust corpus, end of period.....	<b>\$ 3,291,428</b>	\$ 3,358,366
Distributions per unit (14,579,345 units).....	<b>\$ .95</b>	\$ 1.73

## Condensed Statements of Distributable Income *(Unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Royalty Income.....	<b>\$ 6,504,020</b>	\$ 10,294,137	<b>\$ 13,472,965</b>	\$25,405,000
Interest income .....	<b>1,161</b>	158	<b>1,997</b>	385
Total .....	<b>\$ 6,505,181</b>	\$ 10,294,295	<b>\$ 13,474,962</b>	\$25,405,385
General and administrative expenses .....	<b>(651,029)</b>	(810,362)	<b>(1,452,148)</b>	(1,357,066)
Distributable income.....	<b>\$ 5,854,152</b>	\$ 9,483,933	<b>\$ 12,022,814</b>	\$24,048,319
Distributable income per unit (14,579,345 units).....	<b>\$ .40</b>	\$ .65	<b>\$ .82</b>	\$ 1.65